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IN THE

Supreme Court of the United States

OCTOBER TERM, 1986

LEVER BROTHERS COMPANY,

Petitioner,

—against—

UNITED STATES OF AMERICA, JAMES A. BAKER, III, Secretary of the Treasury, and WILLIAM VON RAAB, Commissioner of the United States Customs Service,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

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March 6, 1987

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Questions Presented

1. Whether the United States Customs Service regulations which permit the importation of "grey market" merchandise are consistent with § 42 of the Lanham Act?

2. Whether the Customs Service regulations are consistent with § 526 of the Tariff Act?

Parties

Pursuant to Rule 28.1 of this Court, petitioner hereby identifies Unilever PLC and Unilever N.V.

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No. 86-

LEVER BROTHERS COMPANY,

Petitioner,

—against—

UNITED STATES OF AMERICA, JAMES A. BAKER, III, Secretary of the Treasury, and WILLIAM VON RAAB, Commissioner of the United States Customs Service,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

Petitioner Lever Brothers Company ("Lever Brothers") respectfully prays that a writ of certiorari issue to review a Memorandum and Order of the United States District Court for the District of Columbia, entered January 21, 1987, which (a) denied Lever Brothers' motion for preliminary injunctive relief and (b) determined that Lever Brothers was not entitled to relief under § 42 of the Lanham Act (15 U.S.C. § 1124) and § 526 of the Tariff Act (19 U.S.C. § 1526). In view of the pendency of *Coalition to Preserve the Integrity of American Trademarks* v. *United States*, 790 F.2d 903 (D.C. Cir. 1986), *cert. granted*, — U.S. —, 107 S. Ct. 642 (December 8, 1986) (Nos. 86-495, 86-624, 86-625) ("*COPIAT*"), Lever Brothers requests that a writ of certiorari issue prior to judgment by the United States Court of Appeals for the District of Columbia Circuit.

Opinion Below

By Memorandum and Order, entered January 21, 1987, copies of which are annexed hereto as Appendix A, the District Court denied Lever Brothers' application for a preliminary injunctive order directing respondents to enforce § 42 of the Lanham Act and § 526 of the Tariff Act, and exclude from entry into the United States foreign-manufactured products bearing Lever Brothers' registered "Shield" and "Sunlight" trademarks.

Jurisdiction

The Order of the United States District Court for the District of Columbia was entered on January 21, 1987. Pursuant to 28 U.S.C. § 1292(a)(1), Lever Brothers filed a notice of appeal on February 19, 1987. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1). This petition has been filed within the time allowed by law. 28 U.S.C. § 2101(e).

Statutes and Regulations

Section 526 of the Tariff Act, 19 U.S.C. § 1526, provides in pertinent part:

> ". . . it shall be unlawful to import into the United States any merchandise of foreign manufacture if such merchandise, or the label, sign, print, package, wrapper, or receptacle, bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States . . . and if a copy of the certificate of registration of

> such trademark is filed with the Secretary of the Treasury . . . unless written consent of the owner of such trademark is produced at the time of making entry."

Section 42 of the Lanham Act, 15 U.S.C. § 1124, provides in pertinent part:

> "Except as provided in subsection (d) of section 1526 of Title 19, no article of imported merchandise which shall copy or simulate the name of the [sic] any domestic manufacture, or manufacturer, or trader, or of any manufacturer or trader located in any foreign country which, by treaty, convention, or law affords similar privileges to citizens of the United States, or which shall copy or simulate a trademark registered in accordance with the provisions of this chapter or shall bear a name or mark calculated to induce the public to believe that the article is manufactured in the United States, or that it is manufactured in any foreign country or locality other than the country or locality in which it is in fact manufactured, shall be admitted to entry at any custom house of the United States . . . ."

Section 133.21 of Title 19 of the Code of Federal Regulations provides in pertinent part:

> "(b) *Identical trademark.* Foreign-made articles bearing a trademark identical with one owned and recorded by a citizen of the United States or a corporation or association created or organized within the United States are subject to seizure and forfeiture as prohibited importations.
>
> (c) *Restrictions not applicable.* The restrictions set forth in paragraphs (a) and (b) of this section do not apply to imported articles when:

(1) Both the foreign and the U.S. trademark or trade name are owned by the same person or business entity;

(2) The foreign and domestic trademark or trade name owners are parent and subsidiary companies or are otherwise subject to common ownership or control (see §§ 133.2(d) and 133.12(d));

(3) The articles of foreign manufacture bear a recorded trademark or trade name applied under authorization of the U.S. owner . . . ."

Section 133.2 of Title 19 of the Code of Federal Regulations provides in pertinent part:

"An application to record one or more trademarks shall be in writing, addressed to the Commissioner of Customs, Washington, D.C. 20226, and shall include the following information:

* * *

(d) The identity of any parent or subsidiary company or other foreign company under common ownership or control which uses the trademark abroad. For this purpose:

(1) 'Common ownership' means individual or aggregate ownership of more than 50 percent of the business entity; and

(2) 'Common control' means effective control in policy and operations and is not necessarily synonymous with common ownership."

Statement of the Case

A. The Proceedings Below

This action was commenced on November 17, 1986.[1] Lever Brothers seeks a permanent injunction directing respondents to prohibit the importation of foreign-manufactured products bearing its "Shield" and "Sunlight" trademarks. Lever Brothers has registered these trademarks with the United States Patent and Trademark Office and the Customs Service.

Lever Brothers' claims are predicated upon § 526 of the Tariff Act (19 U.S.C. § 1526) and § 42 of the Lanham Act (15 U.S.C. § 1124). Section 526 requires the Customs Service to bar the importation of foreign-manufactured products bearing a trademark registered by a United States citizen or corporation absent the consent of the domestic trademark registrant. Section 42 of the Lanham Act prohibits the importation of "cop[ies]" and "simulat[ions]" of a registered trademark.

The Customs Service, however, has promulgated regulations which restrict the prohibitions of § 526 of the Tariff Act and § 42 of the Lanham Act based upon the corporate relationship between domestic and foreign trademark registrants. In substance, the regulations permit the importation of foreign-trademarked merchandise if the domestic and foreign registrants are affiliated or otherwise under common ownership or control. 19 C.F.R. § 133.21. Relying upon these regulations, the Customs Service declined to prohibit the importation of "Shield" and "Sunlight" products manufactured by Lever Brothers' foreign affiliates.

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[1] The jurisdiction of the District Court was predicated upon 15 U.S.C. § 1121 and 28 U.S.C. §§ 1331, 1338 and 1361.

In conjunction with the commencement of this action, Lever Brothers sought preliminary injunctive relief. That application was predicated, in part, upon *COPIAT*. In *COPIAT*, the Court of Appeals for the District of Columbia Circuit held that the Customs Service regulations were invalid under § 526 of the Tariff Act. The Court of Appeals has stayed its mandate pending review by this Court.

By Memorandum and Order, entered January 21, 1987, the District Court denied Lever Brothers' motion for preliminary injunctive relief. The District Court held that (a) the regulations constituted a reasonable exercise of respondents' enforcement discretion under § 526 of the Tariff Act, and (b) § 42 of the Lanham Act did not require respondents to exclude foreign "Shield" and "Sunlight" products.

On February 19, 1987, Lever Brothers filed a notice of appeal and requested that the Court of Appeals enter injunctive relief pending appeal or, alternatively, consider the appeal on an expedited basis. This motion is presently pending.

B. Lever Brothers' "Shield" and "Sunlight" Trademarks

Lever Brothers is a corporation organized under the laws of the State of Maine which maintains its principal place of business in New York City. Lever Brothers is engaged in the manufacture and interstate distribution of various household products, including soaps and liquid detergents. (A111, ¶ 2)[2]

Lever Brothers has manufactured and distributed high quality deodorant soap throughout the United States under its "Shield" trademarks since approximately 1977. "Shield"

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[2] Citations to the Appendix submitted to the Court of Appeals in conjunction with petitioner's application for an injunction pending appeal are designated (A[page]).

deodorant soap is manufactured in Hammond, Indiana. Lever Brothers has applied the "Shield" trademarks to soap products since approximately 1956. (A112, ¶ 3) These trademarks have been entered on the Principal Trademark Register of the United States Patent and Trademark Office as Registered Trademark Nos. 647,223, 1,077,719, 1,134,406 and 1,250,113. (A119-A122) These registrations are currently in full force and effect, and were recorded with the Customs Service on October 1, 1986. (A124-A131)

Over the past six years, Lever Brothers has expended approximately $177.9 million advertising and promoting its "Shield" soap products. As a result of this substantial investment, "Shield" deodorant soap has achieved national distribution in retail grocery outlets representing 88% of domestic grocery volume, and has attained a 7.8% share of the deodorant soap market. (A112, ¶ 4)

Lever Brothers has manufactured and distributed a light duty liquid detergent on a national basis under its "Sunlight" trademarks since approximately 1979. "Sunlight" detergent is manufactured in Baltimore, Maryland, St. Louis, Missouri, and Los Angeles, California. Lever Brothers and its predecessors have applied the "Sunlight" trademarks to soap and detergent products since 1884. (A112, ¶5) These trademarks have been entered on the Principal Trademark Register of the United States Patent and Trademark Office as Registered Trademark Nos. 14,441, 58,465 and 1,148,608. (A165-A172) These registrations are currently in full force and effect, and were recorded with the Customs Service on October 1, 1986. (A174-A187)

Since its introduction in 1979, "Sunlight" detergent has achieved an 8.9% share of the light duty liquid detergent

market. (A113, ¶ 6) Over the past six years, Lever Brothers has incurred expenditures of approximately $245.1 million advertising and promoting "Sunlight" detergent. (A113, ¶ 6)

These "Sunlight" and "Shield" products have been widely accepted by the consuming public. "Sunlight" detergent sales have increased from $8.86 million in 1981 to $94.09 million in 1985. Similarly, "Shield" deodorant soap sales have increased from $4.6 million in 1980 to $43.6 million in 1985. (A113, ¶ 7) These trademarks serve to identify Lever Brothers as the exclusive source of these high quality soap and detergent products.

C. The "Grey Market" Products

Lever Brothers is a wholly-owned subsidiary of Unilever United States, Inc., which is wholly-owned by Unilever N.V. ("Unilever"), a corporation organized under the laws of the Netherlands. Due to its corporate relationship with Unilever, Lever Brothers is affiliated indirectly with a number of foreign registrants of the "Shield" and "Sunlight" trademarks. Affiliated foreign manufacturers produce "Shield" deodorant soap and "Sunlight" detergent for consumption in countries other than the United States. (A114, ¶ 8; A124-A131; A174-A187)

For example, Lever Brothers Ltd., a corporation organized under the laws of the United Kingdom, produces "Shield" and "Sunlight" products for consumption in the United Kingdom. Since approximately 1983, many importers and distributors have diverted these "Shield" products from foreign markets into the United States. Diverters have similarly imported these "Sunlight" products into the United States since at least January 1986. Lever Brothers has not sanctioned the distribution of this diverted

merchandise in the United States. Due to differing material costs and market conditions, including varying currency exchange rates, this diverted "Shield" and "Sunlight" merchandise is typically less expensive than the "Shield" deodorant soap and "Sunlight" detergent manufactured by Lever Brothers. (A114, ¶ 9; A243, ¶ 11)

D. The "Shield" and "Sunlight" Products Manufactured by Lever Brothers and its Foreign Affiliates Differ Significantly.

While the products are facially similar, there are significant differences between the "Shield" and "Sunlight" products manufactured by Lever Brothers and its foreign affiliates. For example, the "Shield" and "Sunlight" merchandise produced by Lever Brothers and its British counterpart have been specially formulated to (a) achieve optimal efficacy under differing environmental conditions, (b) satisfy the particular preferences of American and British consumers and (c) conform to differing regulatory standards. (A213, ¶ 4)

Due to higher concentrations of coconut soap and fatty acids, Lever Brothers' "Shield" deodorant soap ("US Shield") generates a richer and more substantial lather than the "Shield" deodorant soap produced by its British affiliate ("UK Shield"). (A214, ¶ 7; A220-A225; A227-A231) In addition, US Shield contains a bacteriostat which enhances substantially the deodorant properties of US Shield by inhibiting the reproduction of bacteria. Due to differing climatic conditions and consumer preferences, UK Shield does not contain any bacteriostat. (A215, ¶ 11; A220-A225; A233) Finally, the deo-perfume formulas and colorants in US and UK Shield differ significantly. While US Shield's colorants have been certified by the Food and

Drug Administration ("FDA"), the colorants in UK Shield have not been certified by the FDA.[3] (A216, ¶¶ 12, 13)

Similarly, the "Sunlight" detergent manufactured by Lever Brothers ("US Sunlight") differs substantially from the "Sunlight" detergent produced by its British affiliate ("UK Sunlight"). US Sunlight has been formulated to achieve optimal efficiency under prevailing environmental conditions in the United States. British water has a higher mineral content than the water available in most metropolitan areas of the United States. Whereas UK Sunlight performs effectively in British "hard water", US Sunlight demonstrably outperforms UK Sunlight in the "soft water" generally available in this country.[4] (A217, ¶¶ 15-18; A235-A238)

E. Damage to Lever Brothers and the American Consumer

The recent influx of these "grey market" products has created substantial consumer confusion respecting the origin of this merchandise, and threatens to damage irreparably Lever Brothers' reputation for the sale of high quality products. Formulated for a different market, UK Shield and Sunlight will inevitably disappoint many American consumers. The resulting injury to Lever Brothers'

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[3] UK Shield may violate a number of federal regulatory standards. UK Shield, which is labeled as a "Soap Deodorant", does not bear an ingredient statement, as required by law. 21 C.F.R. § 701.3 (1986). Moreover, the net weight statement on the UK Shield package is determined within 24 hours of manufacture. Due to moisture loss during transshipment, this net weight statement will not "accurate[ly] state[ ] . . . the quantity of the contents of the package." 21 C.F.R. § 701.13(a), (s) (1986). (A216, ¶ 13 n. 2)

[4] Lever Brothers unconditionally guarantees its "Shield" and "Sunlight" merchandise. These guarantees do not encompass its British affiliate's products. (A213, ¶ 4 n. 1)

reputation will necessarily compromise its sales of US Shield, Sunlight and other products. (A115, ¶ 11; A243, ¶ 9)

As Ms. Eileen S. Farnham of Upper Marlboro, Maryland, wrote respecting her purchase of UK Shield:

> "I have sensitive skin and need a deodorant soap. For several years now, I have used *Shield* exclusively. I recently got a good buy at a local 'discount' chain. Bought six bars, with scarce attention to the new packaging on 'my' familiar product! This soap *can't* be my *Shield*! It smells—and is—harsh. If you've changed it, here is one emphatic vote for changing it back! Is this a 'counterfeit'? Do you formulate differently for a British market (belatedly noticed the fine print). I don't even want to use the other five bars. It's not even the same color or shape.
>
> I'm disappointed. I feel tricked. And now I guess I have to start trying to find some other soap to like and trust."

(Copies of Ms. Farnham's letter to petitioner, dated December 15, 1985, and other consumer complaint letters are reproduced at A197-A210.)

Moreover, the continuing importation of UK Shield and Sunlight has resulted in lost US Shield and Sunlight sales of at least $4,615,026.80, and $437,931.02, respectively, and deteriorating sales force morale. (A244, ¶ 12; A247-A290; A292-A294)

Reasons for Granting the Writ

This Case Affords the Court an Opportunity to Provide Comprehensive Guidance Respecting the Validity of the Customs Service Regulations.

In *COPIAT*, this Court agreed to consider the propriety of the Customs Service regulations which sanction the

importation of "grey market" merchandise.[5] In view of the important economic and administrative interests involved, it is imperative that this Court provide comprehensive guidance respecting the proper application of the regulations.

Such a dispositive review of the regulations may entail the consideration of both § 526 of the Tariff Act and § 42 of the Lanham Act. The regulations are predicated upon § 526 of the Tariff Act and § 42 of the Lanham Act, and restrict respondents' enforcement of these import prohibitions. The regulations, therefore, may not be sustained unless they are consistent with both § 526 of the Tariff Act and § 42 of the Lanham Act.

The Tariff and Lanham Act import prohibitions do not necessarily implicate the same trademark interests. *COPIAT, supra,* 790 F.2d at 910 n. 10; *In re Certain Alkaline Batteries,* 225 USPQ 823 (I.T.C. 1984), *disapproved,* 225 USPQ 862, *app. dismissed sub nom. Duracell, Inc.* v. *U.S. Int'l Trade Comm'n,* 778 F.2d 1578 (Fed. Cir. 1985). Section 526 of the Tariff Act expressly prohibits the importation of foreign-trademarked products absent the consent of the domestic trademark registrant. This legislation represented the Congressional response to the continuing ratification of the principle of trademark "universality" in

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[5] The petitions for writs of certiorari submitted by the United States, 47th Street Photo, Inc. ("47th Street Photo"), and K Mart Corporation ("K Mart") only asked this Court to consider whether the regulations were consistent with § 526 of the Tariff Act. While K Mart's petition refers obliquely to § 42 of the Lanham Act, the brief which K Mart recently submitted requests that the regulations be reviewed under § 42 of the Lanham Act. (Brief of Petitioner K Mart Corporation, dated February 21, 1987 ("K Mart Brief"), p. (i).) The briefs submitted by K Mart and 47th Street Photo have addressed this issue. (K Mart Brief, pp. 37-39; Brief for Petitioner 47th Street Photo, Inc., dated February 20, 1987, pp. 45-50.)

A. Bourjois & Co. v. *Katzel*, 275 F. 539 (2d Cir. 1921), *rev'd*, 260 U.S. 689 (1923). In *Katzel*, the Court of Appeals for the Second Circuit held that a domestic trademark registrant could not enjoin the distribution of foreign-trademarked merchandise so long as a foreign registrant had authorized the use of the trademark. Section 526 only requires that the domestic registrant be a United States citizen or corporation. The application of § 526 is not expressly conditioned upon the development of domestic goodwill or the likelihood that the foreign merchandise will create consumer confusion.

Section 42 of the Lanham Act, which re-enacted § 27 of the Trade-Mark Act of 1905, prohibits the importation of "cop[ies]" or "simulat[ions]" of a registered trademark. This Court defined the scope of this prohibition over 60 years ago. As interpreted by this Court in *A. Bourjois & Co.* v. *Aldridge*, 263 U.S. 675 (1923), and *A. Bourjois & Co.* v. *Katzel*, 260 U.S. 689 (1923), § 27 of the Trade-Mark Act and its successor prohibit the importation of genuine merchandise bearing a domestic trademark if the domestic registrant has developed independent goodwill and the distribution of the foreign merchandise is likely to create consumer confusion. (*See* discussion *infra* at 17-19.)

Due to the limited evidentiary record developed before the District Court, *COPIAT* does not afford this Court an opportunity to explore fully the trademark interests implicated by § 42 of the Lanham Act.[6] In *COPIAT*, plaintiff, a trade association comprised of numerous American trademark registrants, challenged the validity of the regulations. Plaintiff did not seek declaratory or

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[6] In view of the extensive discussion of the § 526 issues by respondent in *COPIAT*, Lever Brothers will, in the interest of brevity, restrict its substantive analysis to the issues implicated by § 42 of the Lanham Act.

injunctive relief addressed to specific trademarked merchandise. In conjunction with its motion for summary judgment, plaintiff offered evidence which was generally limited to the parallel importation of authorized and "grey market" merchandise originating from a common foreign source. Although warranties and other ancillary services differed, the authorized and "grey market" products were substantially identical. (*See* Plaintiff's Statement of Material Facts as to Which There is No Dispute, dated April 4, 1984 ("Plaintiff's Statement"), together with Exhibits 1 through 6.)[7] Consequently, plaintiff only offered limited evidence of independent domestic goodwill and consumer confusion resulting from these "grey market" products. These "grey market" products do not adequately highlight the significant trademark interests implicated by § 42 of the Lanham Act.

This limited record will serve to distort this Court's analysis of § 42 of the Lanham Act. Indeed, K Mart's summary discussion of § 42 of the Lanham Act serves to underscore the analytical deficiencies invited by the limited record generated before the District Court in *COPIAT*. Relying upon the record below, K Mart argues that "there can be no confusion of source as to parallel distribution imports, which are, by definition, manufactured and

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[7] The statement submitted by Robert H. Miller, President of Charles of the Ritz Group Ltd., indicates that most of the "Opium" perfume which is distributed in the United States through authorized channels is manufactured in New Jersey. Mr. Miller, however, suggests that, while the packaging may differ, the "Opium" perfume manufactured in the United States and France are qualitatively identical. (Plaintiff's Statement, Exhibit 2, ¶¶ 5, 16.)

Similarly, the statement submitted by Pierre Valentin, Vice President and Treasurer of the Commercial Division of Michelin Tire Corporation, indicates that most of the "Michelin" tires which are distributed in the United States through authorized channels are manufactured in North America. Mr. Valentin, however, does not claim that diverted "Michelin" tires differ from those manufactured in the United States. (Plaintiff's Statement, Exhibit 4.)

trademarked with the authorization of the trademark holders . . . [and] there can be no 'American goodwill' separate from the global goodwill which the foreign parent company has generated." (K Mart Brief, p. 38.)

"Grey market" merchandise, however, is not limited to the parallel importation of substantially identical merchandise originating from a common foreign source. As the Court of Appeals for the Federal Circuit observed in *Vivitar Corp.* v. *United States*, 761 F.2d 1552, 1570 (Fed. Cir. 1985), *cert. denied*, — U.S. —, 106 S. Ct. 791 (1986), "[t]he variations of the grey market are myriad." The "parallel import" evidence offered by plaintiff in *COPIAT* tends to oversimplify the "grey market" and obfuscate the significant trademark interests advanced by § 42 of the Lanham Act.

Unlike *COPIAT*, this case sharply focuses the trademark interests implicated by § 42 of the Lanham Act. The "grey market" scenario presented by this case does not involve the parallel importation of substantially identical authorized and "grey market" merchandise. Lever Brothers' "Shield" and "Sunlight" products are manufactured in the United States for domestic consumption. The competing "grey market" products are manufactured overseas for foreign consumption. Lever Brothers is only affiliated indirectly with these foreign manufacturers, and has no control over their sale of "Shield" and "Sunlight" products.

Lever Brothers has indisputably developed independent domestic goodwill in its "Shield" and "Sunlight" trademarks. The evidence offered before the District Court established that Lever Brothers has expended approximately $423 million advertising and promoting its "Shield" and "Sunlight" products in the United States over the past six years. (A112, ¶ 4; A113, ¶ 6) As a result of this substantial investment,

Lever Brothers' "Shield" and "Sunlight" products have attained 7.8% and 8.9% shares of the national deodorant soap and light duty liquid detergent markets. *Id.* The American public associates these products with Lever Brothers, not with affiliated foreign registrants of the marks.

Unlike the parallel imports involved in *COPIAT, Vivitar, Olympus Corp.* v. *United States,* 792 F.2d 315 (2d Cir. 1986), *petition for cert. filed,* 55 U.S.L.W. 3372 (November 6, 1986) (No. 86-757), and *NEC Electronics* v. *CAL Circuit Abco,* Nos. 86-6300, 86-6456, slip op. (9th Cir. February 24, 1987), the "Shield" and "Sunlight" products manufactured by Lever Brothers' foreign affiliates are substantially different from Lever Brothers' "Shield" and "Sunlight" merchandise. Indeed, the evidence offered by Lever Brothers before the District Court established that the "Shield" and "Sunlight" products manufactured by Lever Brothers and its British counterpart have been specially formulated to (a) achieve optimal efficacy under differing environmental conditions, (b) satisfy the particular preferences of American and British consumers and (c) conform to differing regulatory standards. Formulated for different markets, the domestic distribution of foreign "Shield" and "Sunlight" products has resulted in substantial consumer confusion and damaged Lever Brothers' reputation for the sale of high quality merchandise.

The record below serves to crystalize the deficiencies inherent in the restrictive Customs Service regulations. By adopting a simplistic standard predicated exclusively upon the corporate relationship between the American and foreign registrants, respondents have failed to recognize that "grey market" merchandise may seriously compromise the interests of American capital, labor and the consuming public.

This simplistic corporate litmus test is clearly inconsistent with the trademark principles espoused by this Court in *Katzel* and *Aldridge*. In *Katzel* and *Aldridge*, this Court rejected the trademark "universality" doctrine, and adopted the principle of trademark "territoriality". As the Court of Appeals observed in *COPIAT*:

> "Justice Holmes' opinion adopted what has come to be called the 'territoriality' theory of trademark. This approach maintains that the source and scope of trademark protection arise from the law of a *particular* sovereign state, and thus that it is meaningless to discuss the 'genuineness' of a trademark in the abstract. *See* Note, *The Greying of American Trademarks: The Genuine Goods Exclusion Act and the Incongruity of Customs Regulations 19 C.F.R. § 133.21*, 54 Fordham L. Rev. 83, 106-109 (1986). Justice Holmes wrote:
>
> > 'It is said that the trade mark here is that of the French house and truly indicates the origin of the goods. But that is not accurate. It is the trade mark of the plaintiff only in the United States and indicates in law [, and, it is found, by public understanding] that the goods come from the plaintiff although not made by it.' 260 U.S. at 692 . . . ."

COPIAT, *supra*, 790 F.2d at 909-10 (footnote omitted; emphasis in original).

In rejecting the "universality" doctrine, this Court recognized that the protections afforded American registrants and consumers by the trademark laws do not end at our shores. The relationship between the domestic and foreign trademark registrants was not determinative. The standard, as suggested by this Court in *Katzel*, was whether the domestic registrant had developed sufficient goodwill in its trademark to warrant protection under the trademark laws. Indeed,

this Court expressly found that plaintiff had expended substantial resources developing goodwill in the United States:

> "[Plaintiff] uses care in selecting colors suitable for the American market, in packing and in keeping up the standard, and has spent much money advertising, etc., so that the business has grown very great and the labels have come to be understood by the public here as meaning goods coming from the plaintiff."

A. Bourjois & Co. v. *Katzel, supra,* 260 U.S. at 691.

Prestonettes, Inc. v. *Coty,* 264 U.S. 359 (1924), does not, as suggested by the Court below, limit the application of *Katzel* and *Aldridge* to domestic registrants which have no corporate relationship with foreign registrants.[8] In distinguishing *Katzel,* this Court confirmed that *Katzel* served to protect the domestic goodwill represented by a trademark while insuring that the trademark would not be employed to deceive the public. As this Court explained:

> "A trade-mark only gives the right to prohibit the use of it so far as to protect the owner's good will against the sale of another's product as his. [Citation omitted] There is nothing to the contrary in *A. Bourjois & Co.* v. *Katzel* . . . . There the trademark protected indicated that the goods came from the plaintiff in the United States, although not

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[8] *Prestonettes* was an action for injunctive relief commenced by Coty, the domestic and foreign registrant of the "Coty" and "L'Origan" marks, against a distributor which had purchased and repackaged Coty's "L'Origan" toilet powder and perfumes. In reversing an order directing the entry of injunctive relief, this Court found that defendant had not improperly used plaintiff's trademarks. Defendant's labels had merely advised the public that the contents of the repackaged merchandise originated from plaintiff. Accordingly, defendant had not misrepresented the source of the merchandise or otherwise infringed plaintiff's trademarks.

> made by it, and therefore could not be put upon other goods of the same make coming from abroad. When the mark is used in a way that does not deceive the public we see no such sanctity in the word as to prevent its being used to tell the truth."

Prestonettes, Inc. v. *Coty, supra,* 264 U.S. at 368.[9]

Indeed, respondents apparently acknowledged in *COPIAT* that the existence of "independent domestic goodwill" would serve to trigger the exclusionary provisions of § 42 of the Lanham Act. As the Court of Appeals observed in *COPIAT*:

> "The appellees note that Holmes' opinion in *Katzel* (upon which *Aldridge* relied) emphasized that the plaintiff had expended considerable sums in advertising the French firm's powder, so that 'the labels have come to be understood by the public here as meaning goods coming from the plaintiff.' 260 U.S. at 691, 43 S. Ct. at 245. Thus, it is argued, *Katzel* and *Aldridge* suggest that a plaintiff must demonstrate the existence of independent domestic goodwill before he may prevail on a claim that goods bearing an identical but genuine trademark infringe his trademark, and likewise before he may demand that such goods be excluded from importation under Section 42."

COPIAT, supra, 790 F.2d at 910 n. 10.

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[9] In relying upon *Prestonettes,* the Court below failed to recognize the relationship between the foreign and domestic registrants in that action. Had this Court intended to restrict *Katzel* to so-called "independent" domestic registrants, this Court could have disposed summarily of the *Prestonettes* appeal since Coty was both the domestic and foreign registrant of the "Coty" and "L'Origan" trademarks. *See Coty* v. *Prestonettes, Inc.,* 285 F. 501, 504-5 (2d Cir. 1922), *rev'd,* 264 U.S. 359 (1924).

Lever Brothers has clearly developed goodwill in its "Shield" and "Sunlight" trademarks which is factually distinct from the goodwill associated with those marks in foreign countries. *See Osawa & Co.* v. *B & H Photo,* 589 F. Supp. 1163, 1172-74 (S.D.N.Y. 1984). The domestic distribution of foreign "Shield" and "Sunlight" merchandise has resulted in substantial consumer confusion and damaged the goodwill which Lever Brothers has developed in its "Shield" and "Sunlight" marks.

Unlike *COPIAT,* a case generally restricted to parallel "grey market" imports, this case clearly implicates the trademark interests underlying the Lanham Act and exposes the deficiencies inherent in the restrictive Customs Service regulations. In the interest of advancing this Court's analysis of the regulations under § 42 of the Lanham Act, this Court should grant Lever Brothers' application for a writ of certiorari and consider this case in conjunction with *COPIAT.*

Conclusion

For all of the above reasons, this Court should issue a writ of certiorari, as prayed for herein, to review the Memorandum and Order of the United States District Court for the District of Columbia.

March 6, 1987

Respectfully submitted,

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APPENDIX A

Memorandum and Order
of the United States District Court
for the District of Columbia,
entered January 21, 1987

Memorandum Decision of the District Court
Dated January 21, 1987

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLUMBIA

Civil Action No. 86-3151

FILED

Jan. 21, 1987

Clerk, U.S. District Court

District of Columbia

LEVER BROTHERS COMPANY,

Plaintiff,

v.

UNITED STATES OF AMERICA, *et al.*,

Defendants.

MEMORANDUM

Plaintiff Lever Brothers Company (Lever Brothers), an American subsidiary of a foreign manufacturer of trademarked goods, seeks a preliminary injunction directing defendant United States Customs Service (Customs Service) to exclude importation of so-called "gray market goods" under the Tariff Act of 1930, 19 U.S.C. § 1526(a) (1982), and the Lanham Act, 15 U.S.C. § 1124 (1982).

Lever Brothers in a wholly-owned subsidiary of Unilever U.S., Inc., which is wholly-owned by Unilever N.V. (Unilever), a corporation organized under the laws of The Netherlands. Lever Brothers manufactures and distributes

various household products including "Shield" deodorant soap and "Sunlight" light-duty liquid detergent. Lever Brothers owns the rights in this country to the "Shield" and "Sunlight" trademarks, and it recorded these trademarks with the Customs Service on October 1, 1986.

Due to Lever Brothers' corporate relationship with Unilever, Lever Brothers is affiliated with a number of foreign registrants of the "Shield" and "Sunlight" trademarks. In particular, Lever Brothers Limited,[1] a corporation organized under the laws of the United Kingdom, produces "Shield" and "Sunlight" products for consumption in the United Kingdom. Many importers and distributors have diverted these products into the United States over the past several years. Lever Brothers now seeks to enjoin the Customs Service from allowing entry of these "gray market" goods into the United States, alleging that such importation violates the Tariff Act of 1930, 19 U.S.C. § 1526(a) (1982) (section 526), and the Lanham Act, 15 U.S.C. § 1124 (1982).

I

Section 526(a) of the Tariff Act makes it "unlawful to import into the United States any merchandise of foreign manufacture if such merchandise . . . bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States," provided that the trademark is properly registered, "unless written consent of the owner of such trademark is produced at the time of making entry." 19 U.S.C. § 1526(a) (1982). Section 526 subjects any such merchandise to seizure and

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[1] Lever Brothers Limited is a wholly-owned subsidiary of Unilever PLC. Unilever PLC apparently is owned by Unilever N.V. Plaintiff and Unilever PLC share at least one senior level manager.

forfeiture for violation of the customs laws, and subsection (c) of the same section provides that any person dealing in such merchandise may be enjoined from doing so or may be required to export or destroy the merchandise or remove or obliterate the trademark.

The pertinent Customs Service regulation excepts from seizure under section 526 imported articles bearing a trademark identical to the one held by a United States citizen or corporation when "[t]he foreign and domestic trademark or trade name owners are parent and subsidiary companies or are otherwise subject to common ownership or control." 19 C.F.R. § 133.21(c)(2) (1985). Lever Brothers' motion challenges this regulation, asserting that it is invalid, and that the Customs Service must enforce section 526 of the Tariff Act of 1930, 19 U.S.C. § 1526 (1982), as its literal language appears to suggest. Similar relief was also sought by other litigants but was denied by the Court of International Trade in *Vivitar Corp.* v. *United States,* 593 F. Supp. 420 (Ct. Int'l Trade 1984), *aff'd,* 761 F.2d 1552 (Fed. Cir. 1985), *cert. denied,* —— U.S. ——, 106 S. Ct. 791 (1986), and by the Second Circuit in *Olympus Corp.* v. *United States,* 792 F.2d 315 (2d Cir. 1986), but was granted by the Court of Appeals for this Circuit in *Coalition to Preserve the Integrity of American Trademarks* v. *United States,* 790 F.2d 903 (D.C. Cir. 1986), *cert. granted,* 55 U.S.L.W. 3411 (December 9, 1986) (*COPIAT*).

In light of the fact that the Court of Appeals for this Circuit in *COPIAT* [2] declined to grant injunctive relief and

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[2] In *COPIAT,* the Court of Appeals held that congressional intent underlying section 526 permits the prohibition of gray-market goods regardless of whether the domestic and foreign trademark holders are related entities and, in the alternative, that the Customs Service regulation is invalid as not constituting a reasonable interpretation of section 526(a). 790 F.2d at 908.

stayed its mandate (pending determination of the government's petition for writ of certiorari), this Court is not bound by the *COPIAT* decision but may consider the substance of the issues presented by plaintiff's motion. This Court concludes that the regulation is a reasonable exercise of the Customs Service's enforcement discretion, for the following reasons.

First, the sole effect of the regulation is to define the Customs Service's role in initiating administrative enforcement of section 526(a). The regulation does not limit the scope of the statute but only the Customs Service's obligation to enforce it by excluding goods. *See Olympus*, 792 F.2d at 320; *Vivitar*, 761 F.2d at 1569.[3] The trademark owner still may pursue private remedies against the importer under section 526(c), notwithstanding the Customs Service's failure to exclude the goods. *Olympus*, 792 F.2d at 320; *Vivitar*, 761 F.2d at 1569. Since the regulation merely constitutes an exercise of enforcement discretion, the only question is whether the Service reasonably exercised that discretion when it promulgated the regulation.[4]

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[3] While Congress may delegate legislative authority to an agency in certain situations, there is no language in section 526 by which Congress delegated such authority to the Secretary of the Treasury in connection with administration of section 526. Without such authority, the Customs Service cannot affect the scope of a trademark owner's rights under the statute. *Vivitar*, 761 F.2d at 1569 (citing K. Davis, *Administrative Law Treatise* § 7.8 (2d ed. 1979).

[4] It appears that the Court of Appeals for this Circuit declined to uphold the regulation as a reasonable exercise of enforcement discretion because it found that "the Customs Service has never purported to justify these regulations as an exercise of enforcement discretion." 790 F.2d at 918. The court stated that the Customs Service, "from the start," has regarded its regulations as "its inter-

(footnote continued on following page)

Memorandum

Second, consideration of the administrative difficulties that would result from a decision to require the Customs Service to change its stance leads to the conclusion that the regulation constitutes a reasonable exercise of the Customs Service's enforcement discretion. As both the *Vivitar* and the *Olympus* courts have noted, the variations in gray market importation are extensive and confusing. *Vivitar*, 761 F.2d at 1570 n.24; *Olympus*, 792 F.2d at 320.[5] Without a regulation of the kind under consideration here which provides a bright line for enforcement purposes, the Customs Service presumably would be placed in the position of having to determine at the border which goods possessed discrete domestic good will and, thus, should be excluded. This would require the Customs Service to ex-

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(footnote continued from preceding page)

pretation of what the law requires rather than as a decision not to prosecute to the letter of the law. *Id.* However, it is this Court's respectful view that an agency regulation cannot be accorded force as a legislative rule if there was no authority to adopt it as such in the first place.

[5] The court said in *Vivitar*:

> For example, the U.S. and foreign trademark rights may be owned by the same entity or by related companies, or by wholly separate companies. The goods of the U.S. owner may be imported and may be identical to, or different from, the parallel import. Goods may be produced in the U.S. by the U.S. trademark owner and different goods produced abroad by the U.S. owner or by its affiliate. Services and warranties may or may not be the same here and abroad. A foreign licensee (i.e., related company) may be required by foreign law and may not be subject to meaningful control by the U.S. owner. A number of such actual variations are indicated by the cases cited in this opinion; others are discussed in Takamatsu, *Parallel Importation of Trademarked Goods: A Comparative Analysis*, 5 Wash. L. Rev. 433 (1982).

761 F.2d at 1570 n.24.

pend funds and time to determine whether the markholder of such goods had developed an independent public image in this country, a decision that subsequently may only be overturned by private litigation. *See Olympus*, 792 F.2d at 320.

Third, congressional acquiescence in the Customs Service's interpretation of section 526 supports these conclusions. The House Ways and Means Committee, in connection with amendments of section 526 in the Customs Procedural Reform and Simplification Act of 1978, Pub. L. No. 95-410, section 211, 92 Stat. 888, 903, explicitly recognized the Customs Service's then twenty years of excluding gray market goods. 792 F.2d at 320 (citing H. R. Rep. No. 621, 95th Cong., 1st Sess. 27 (1977)), and Congress took no action to alter this approach. This inaction may be an indicia of congressional acceptance of the Customs Service's interpretation. *Id. See Haig* v. *Agee*, 453 U.S. 280, 297-98 (1981). Moreover, when Congress considered amending the customs law in 1954, it was again informed of the Customs Service's practice of permitting parallel importation, it specifically noted the practice, but it declined to change it while amending other parts of section 526 in 1978. *See* 792 F.2d at 321 (citations omitted). The Court therefore agrees with the Second Circuit, "that in light of the long acceptance of the regulations[,] change is a matter for the legislative or executive branch and not the judiciary," 792 F.2d at 321, and it holds that the Customs Service regulation constitutes a reasonable exercise of enforcement discretion.

Lastly, since the Supreme Court has granted certiorari in *COPIAT* and thus is presently reviewing substantive issues which also underlie the injunctive relief requested in this

case, the Court believes that the equities and sound judicial policy caution against the contemporaneous issuance of an affirmative injunction against the Customs Service. If the Court were to grant the injunction, the result would be that the Customs Service would be ordered to take action which the Supreme Court might, in short order, determine not to be required by law. It is presumably for similar reasons that the Court of Appeals stayed its mandate. In the exercise of its equitable discretion, therefore, and in the promotion of public interest, the Court will deny the relief requested by plaintiff pursuant to the Tariff Act.

II

Plaintiff fares no better under the Lanham Act. Section 42 of that statute, 15 U.S.C. § 1124 (1982), prohibits the importation of goods which "copy or simulate" a registered trademark. Whether a genuine foreign trademark can be deemed to "copy or simulate" a domestic trademark has been the subject of considerable debate.

In the seminal case of *A. Bourjois & Co.* v. *Aldridge*, 263 U.S. 675 (1923) (per curiam), the Supreme Court held in a memorandum opinion that section 27 of the Trademark Law of 1905 (the predecessor of section 42 of the Lanham Act) barred importation of goods produced abroad and bearing the genuine trademark where an independent domestic trademark owner purchased the United States trademark rights from the foreign trademark owner. The Court further stated that the Collector of Customs was required to exclude from entry such goods. This decision was based "upon the authority of *A. Bourjois* v. *Katzel*, 260 U.S. 689, 43 S. Ct. 244, 67 L. Ed. 464, the defendant [Aldridge] not objecting." Thus, infringement was found with respect to arguably "genuine" goods.

Memorandum

Because the *Aldridge* decision was a one-sentence, per curiam opinion to which the opposing party did not object, several courts have narrowly construed the scope of that decision. In particular, this Court has held that if the domestic and foreign trademark holders are related to, rather than independent of, each other, section 42 only bars merchandise bearing counterfeit or spurious trademarks that "copy or simulate" genuine trademarks. *See COPIAT*, 598 F. Supp. 844 (D.D.C. 1984), *rev'd on other grounds, supra*, 790 F.2d 903. *Accord Olympus Corp., supra*, 792 F.2d at 321-22; *Parfums Stern, Inc.* v. *United States Customs Service*, 575 F. Supp. 416 (S.D. Fla. 1983).

This conclusion is strengthened by the fact that the equities of the *Katzel* case, upon which the decision in *Aldridge* largely rested, are not present when the foreign and domestic trademark holders are related. In *Katzel*, the foreign manufacturer had sold its business and trademark in this country to the plaintiff and in France to the defendant, a company completely independent of plaintiff. The Supreme Court held that the Act barred importation of defendant's goods into the United States even though defendant's goods were "genuine." 260 U.S. at 690. This holding was "intended to overcome the unfairness of permitting the foreign manufacturer, having sold its trademark rights to another, to thereafter arrange to have its goods marketed in the United States by someone other than the independent American purchaser." *COPIAT*, 598 F. Supp. at 848. Indeed, the Supreme Court itself has suggested (*Prestonettes, Inc.* v. *Coty*, 264 U.S. 359, 368 (1924)), that *Katzel* had limited application to any but its own special facts.

Memorandum

For the foregoing reasons, this Court holds that Lever Brothers' motion for a preliminary injunction must be denied. An appropriate Order accompanies this Memorandum.

By: /s/ HAROLD H. GREENE

.....

Harold H. Greene
United States District Judge

January 21, 1987

Order of the District Court
Dated January 21, 1987

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF COLUMBIA

Civil Action No. 86-3151

FILED

Jan. 21, 1987

Clerk, U.S. District Court

District of Columbia

LEVER BROTHERS COMPANY,

Plaintiff.

v.

UNITED STATES OF AMERICA, *et al.*,

Defendants.

ORDER

In accordance with the Memorandum being contemporaneously issued herewith, it is this 21st day of January, 1987

ORDERED that plaintiff's motion for a preliminary injunction be and it is hereby denied.

By: /s/ HAROLD H. GREENE

. . . . . .

Harold H. Greene
United States District Judge

AFFIDAVIT OF SERVICE

I, Frederick M. Joyce, an attorney with the law firm of Reboul, MacMurray, Hewitt, Maynard & Kristol, having been first duly sworn, do hereby attest that I have caused to be served, by hand, this 6th day of March, 1987, in the case of Lever Brothers Company v. United States of America, et al., three copies of Petitioner's "Petition For A Writ Of Certiorari To The United States Court of Appeals For The District Of Columbia Circuit" on:

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U.S. Department of the Treasury
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William Von Raab, Commissioner
U.S. Customs Service
1301 Constitution Avenue, N.W., Room 3305
Washington, D.C. 20229

Frederick M. Joyce

Subscribed and sworn to before me
this 6th day of March, 1987

Susan M. Casey
Notary Public

My Commission Expires February 28, 1992

Supreme Court, U.S.
FILED
MAY 5 1987
JOSEPH F. SPANIOL, JR.
CLERK

No. 86-1439

In the Supreme Court of the United States

OCTOBER TERM, 1986

LEVER BROTHERS COMPANY, PETITIONER

v.

UNITED STATES OF AMERICA, ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

MEMORANDUM FOR THE FEDERAL RESPONDENTS IN OPPOSITION

CHARLES FRIED
Solicitor General
Department of Justice
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10pp

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In the Supreme Court of the United States

OCTOBER TERM, 1986

No. 86-1439

LEVER BROTHERS COMPANY, PETITIONER

v.

UNITED STATES OF AMERICA, ET AL.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

MEMORANDUM FOR THE FEDERAL RESPONDENTS IN OPPOSITION

Petitioner seeks review of a district court decision denying petitioner's request for a preliminary injunction requiring the United States to exclude certain imported products bearing trademarks identical to U.S. trademarks. Petitioner contends that it is entitled to the injunction on the ground that a Treasury Department regulation (19 C.F.R. 133.21) that permits the importation of these goods is invalid. This Court should deny the petition because the court of appeals has not reviewed the district court judgment and has stayed further proceedings pending resolution of three cases before this Court that present a similar challenge to the regulation.[1]

1. Section 526 of the Hawley-Smoot Tariff Act of 1930 prohibits the unauthorized importation of "any merchandise of foreign manufacture if such merchandise * * *

[1] See *K mart Corp.* v. *Cartier, Inc.*, No. 86-495; *47th Street Photo, Inc.* v. *Coalition to Preserve the Integrity of American Trademarks*, No. 86-624; *United States* v. *Coalition to Preserve the Integrity of American Trademarks*, No. 86-625 (petitions granted and cases consolidated on December 8, 1986).

bears a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States * * *." 19 U.S.C. 1526. Section 42 of the Lanham Act forbids the importation of goods that "copy or simulate" U.S. trademarks. 15 U.S.C. 1124. For over 50 years, the Department of the Treasury has interpreted Section 526 and Section 42 to permit entry of foreign merchandise bearing a trademark identical to a U.S. registered trademark when there is a substantial identity between the foreign manufacturer and the U.S. trademark owner. The Treasury Department's present Customs Service regulation permits such parallel importation when (1) the foreign and U.S. trademarks are owned by the same person; (2) the foreign and U.S. trademark owners are subject to common ownership or control; or (3) the trademark was applied under authorization of the U.S. trademark owner. 19 C.F.R. 133.21.

Unilever N.V., a Dutch corporation, owns a number of subsidiaries throughout the world that manufacture and distribute various household products. One of these subsidiaries—Unilever United States, Inc.—owns petitioner, an American corporation that sells its goods in the American market. Petitioner brought suit against the United States, the Secretary of the Treasury, and the Commissioner of Customs, challenging the Treasury Department's longstanding Customs Service regulation. It urged that the regulation is inconsistent with both Section 526 and Section 42 and sought a preliminary injunction requiring the Customs Service to prevent parallel importation of products manufactured by its foreign affiliates.

The district court denied petitioner's motion for a preliminary injunction (Pet. App. 1a-9a). It reasoned that the Customs Service regulation "constitutes a reasonable exercise of the Customs Service's enforcement discretion"

(*id.* at 5a). The court also concluded that Congress's repeated acquiesence in the Treasury Department's interpretation of Section 526 made change in this area " 'a matter for the legislative or executive branch and not the judiciary' " (Pet. App. 6a (quoting *Olympus Corp.* v. *United States*, 792 F.2d 315, 321 (2d Cir. 1986), petition for cert. pending, No. 86-757)). Finally, it noted that a preliminary injunction should not issue while this Court is considering the merits of the underlying dispute in a group of similar cases (Pet. App. 6a-7a). The court then rejected petitioner's contention that the regulation is inconsistent with the Lanham Act, stating that Section 42 applies only to "merchandise bearing counterfeit or spurious trademarks that 'copy or simulate' genuine trademarks" (Pet. App. 8a).

Petitioner filed a notice of appeal in the court of appeals and a petition for a writ of certiorari in this Court. The court of appeals subsequently rejected petitioner's motion for an injunction pending appeal, and sua sponte, ordered petitioner's appeal stayed pending this Court's decision on the validity of the Customs Service regulation.[2]

2. Lever Brothers asks this Court to take the extraordinary action of issuing a writ of certiorari before the court of appeals has reviewed the district court's decision. This Court's Rules state that a petition for a writ of certiorari before judgment "will be granted only upon a showing that the case is of such imperative public importance as to justify the deviation from normal appellate practice and to require immediate settlement in this Court." Sup. Ct. R. 18. See, *e.g.*, *Dames & Moore* v. *Regan*, 453 U.S. 654, 668 (1981); *United States* v. *Nixon*, 418 U.S. 683, 686-687 (1974); *United States* v. *United Mine Workers*, 330 U.S. 258, 269 (1947). Plainly, the district court's denial of petitioner's request for a pre-

[2] The court of appeals' order is reprinted as an Addendum to this memorandum.

liminary injunction does not present such a case. There are no extraordinary circumstances here justifying a departure from the normal appellate procedure.

This Court will decide in due course whether the Customs Service regulation is consistent with Section 526. The Court has granted three related petitions, arising from the D.C. Circuit's decision in *Coalition to Preserve the Integrity of American Trademarks* v. *United States*, 790 F.2d 903 (1986), that present this issue. See *K mart Corp.* v. *Cartier, Inc.*, No. 86-495; *47th Street Photo, Inc.* v. *Coalition to Preserve the Integrity of American Trademarks*, No. 86-624; *United States* v. *Coalition to Preserve the Integrity of American Trademarks*, No. 86-625. The court of appeals has already indicated that it will review petitioner's request for relief under Section 526 in accordance with this Court's decision in those cases. Thus, there is no reason for this Court to hold the petition pending their resolution.

Petitioner suggests that this Court should grant its petition because the cases now pending before the Court do not "afford this Court an opportunity to explore fully the trademark interests implicated by § 42 of the Lanham Act" (Pet. 13 (footnote omitted)). The court of appeals' decision in those cases, however, did not reach the question whether the Customs Service regulation is inconsistent with Section 42 (see 790 F.2d at 907); thus, that issue is not pending before this Court. The only two courts that have considered the issue have concluded that the Customs Service's regulation is consistent with Section 42. See *Olympus Corp.*, 792 F.2d at 321-322; *Coalition to Preserve the Integrity of American Trademarks* v. *United States*, 598 F. Supp. 844, 847-848 (D.D.C. 1984), rev'd on other grounds, 790 F.2d 903 (D.C. Cir. 1986). Thus, there is no conflict among the circuits on the question and there is plainly no warrant for this Court to review the issue at this time. Petitioner will have ample opportunity to obtain

review of that question from the court of appeals and, thereafter, an opportunity to seek further review from this Court if it so desires.

It is therefore respectfully submitted that the petition for a writ of certiorari should be denied.

CHARLES FRIED
Solicitor General

MAY 1987

ADDENDUM

UNITED STATES COURT OF APPEALS
FOR THE DISTRICT OF COLUMBIA CIRCUIT

No. 87-5051

LEVER BROTHERS COMPANY, APPELLANT

v.

UNITED STATES OF AMERICA, ET AL.

[Filed Mar. 19, 1987]

BEFORE: Bork, Silberman and D.H. Ginsburg, Circuit Judges

ORDER

Upon consideration of Appellant's Emergency Motion for an Injunction Pending Appeal or, Alternatively, Expeditious Consideration of the Appeal, the opposition of the United States thereto, and our own review of the record, for the reasons stated in the accompanying memorandum it is

ORDERED by the court that Appellant's Emergency Motion for an Injunction Pending Appeal or, Alternatively, Expeditious Consideration of the Appeal, be denied; and it is

FURTHER ORDERED on the court's motion that this case be held in abeyance pending the decision of the Supreme Court in *Coalition to Preserve the Integrity of American Trademarks v. United States*, 790 F.2d 903 (D.C. Cir. 1986), *cert. granted* (Nos. 86-495, 624, and 625), 55 U.S.L.W. 3211 (December [8], 1986).

Per Curiam

MEMORANDUM

Appellant Lever Brothers commenced this action in the district court by filing a complaint against the United States of America, James A. Baker III, the Secretary of the Treasury, and William von Raab, Commissioner of the United States Customs Service, seeking an injunction requiring the Customs Service to bar the import of Shield soap and Sunlight detergent manufactured overseas. The complaint alleges that Lever Brothers holds the trademark on Shield and Sunlight and manufactures these products in the United States. Foreign affiliates of Lever Brothers hold foreign trademarks on Shield and Sunlight. Lever Brothers claims that different formulae are used for products bearing these names when manufactured overseas, and that the foreign Shield and Sunlight are not suitable for use in this country.

Various importers purchase Shield and Sunlight produced overseas and ship them to this country. Even with the added transportation costs, the foreign products are sold for less than Shield and Sunlight manufactured in the United States. Lever Brothers alleges that because of the difference in the formulae, customers who purchase Shield and Sunlight of foreign manufacture are disappointed in the products, causing loss of goodwill and reputation for Lever Brothers.

Lever Brothers asked the Customs Service to bar importation of Shield and Sunlight manufactured overseas. Lever Brothers claims that Section 526 of the Tariff Act of 1930 (19 U.S.C. § 1526(a) (1982)) and/or Section 42 of the Lanham Act (15 U.S.C. § 1124 (1982)) require the Customs Service to exclude these products. The Customs Service, relying on 19 C.F.R. § 133.21(c)(2) (1985), refused Lever Brothers' request.

The case came before this court on appeal from the district court's denial of Lever Brothers' motion for preliminary injunction. Lever Brothers noted its appeal and moved for injunction pending appeal. The government has filed an opposition to the motion.

The district court denied the motion in part because it did not believe that it is bound by this court's decision in *Coalition to Preserve the Integrity of American Trademarks v. United States*, 790 F.2d 903 (D.C. Cir. 1986), *cert. granted,* 55 U.S.L.W. 3411 (December [8], 1986) (*COPIAT*), since we withheld our mandate and the Supreme Court has granted the government's petition for writ of certiorari. The court cited no authority for this interesting proposition, a proposition with which we disgree. Our views are more in line with those of the distinguished Learned Hand. *See In re Simon Weltman Co.,* 2 F.2d 759, 760 (S.D.N.Y. 1924) ("It is true that certiorari has been granted to this decree . . . but it stands as law to me.").

Nevertheless, in the circumstances of this case and for the reasons stated in our decision in *COPIAT*, 790 F.2d at 918, Lever Brothers has not met the rigid requirements that would entitle it to a mandatory injunction pending appeal. *Washington Metropolitan Area Transit Commission v. Holiday Tours, Inc.*, 559 F.2d 841, 843 (D.C. Cir. 1977). It also has not met the requirements set forth in the D.C. Circuit Handbook of Internal Practices and Procedures at 50-51 that would entitle it to expedited consideration.

To conserve judicial resources, on our own motion we order that this appeal be held in abeyance pending the decision of the Supreme Court in *Coalition to Preserve the Integrity of American Trademarks v. United States*, 790 F.2d 903 (D.C. Cir. 1986), *cert. granted,* 55 U.S.L.W. 3411 (December [8], 1986).

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No. 86-1439

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1986

LEVER BROTHERS COMPANY,

Petitioner,

—against—

UNITED STATES OF AMERICA, JAMES A. BAKER, III, Secretary of the Treasury, and WILLIAM VON RAAB, Commissioner of the United States Customs Service,

Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE DISTRICT OF COLUMBIA CIRCUIT

PETITIONER'S REPLY MEMORANDUM

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May 20, 1987

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Tariff Act of 1930:
19 U.S.C. § 1526 (§ 526 of the Act) ..... *passim*

19 C.F.R. § 133.21 (1979) 1

IN THE

Supreme Court of the United States

October Term, 1986

No. 86-1439

LEVER BROTHERS COMPANY,

Petitioner,

—against—

UNITED STATES OF AMERICA, JAMES A. BAKER, III, Secretary of the Treasury, and WILLIAM VON RAAB, Commissioner of the United States Customs Service,

Respondents.

PETITIONER'S REPLY MEMORANDUM

Petitioner Lever Brothers Company ("Lever Brothers") submits this memorandum in response to the memorandum filed by respondents. Respondents suggest that this Court restrict its review of the Customs Service regulations (19 C.F.R. § 133.21), and defer consideration of the regulations under § 42 of the Lanham Act pending further review by the lower appellate courts. Such a course of action is neither required nor appropriate.

In view of the significant economic and administrative interests impacted by the regulations, it is imperative that this Court provide comprehensive guidance respecting the proper application of the regulations and resolve conclusively the uncertainty surrounding the importation of "grey market" merchandise. Since the regulations have been promulgated under § 526 of the Tariff Act and § 42

of the Lanham Act, the regulations may not be sustained unless they are consistent with both of these statutory import prohibitions.

This Court has agreed to consider the propriety of the regulations under § 526 of the Tariff Act. *See K Mart Corp.* v. *Cartier, Inc.*, No. 86-495; *47th Street Photo, Inc.* v. *Coalition to Preserve the Integrity of American Trademarks*, No. 86-624; *United States* v. *Coalition to Preserve the Integrity of American Trademarks*, No. 86-625 (referred to collectively hereinafter as *"COPIAT"*). Since the Tariff and Lanham Act import prohibitions do not necessarily implicate the same trademark interests,[1] the disposition of the § 526 claims may not afford definitive guidance respecting the proper application of the regulations. Should this Court sustain the regulations under the Tariff Act without considering the propriety of the regulations under the Lanham Act, the uncertainty which has plagued the application of the regulations will persist.

Significantly, respondents have not disputed the underlying predicate for this application. Respondents do not deny that this case, unlike *COPIAT*, affords the Court an opportunity to provide comprehensive guidance respecting the proper application of the regulations. Rather, respondents contend that, since the Court of Appeals failed to address § 42 of the Lanham Act in *COPIAT*, this Court may not review the regulations under the Lanham Act. This Court, however, clearly has authority to consider the issues implicated by § 42 of the Lanham Act since those issues were addressed by the District Court in *COPIAT*. As this

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[1] *See Coalition to Preserve the Integrity of American Trademarks* v. *United States*, 790 F.2d 903, 910 n. 10 (D.C. Cir. 1986), *cert. granted*, —— U.S. ——, 107 S. Ct. 642 (December 8, 1986); *In re Certain Alkaline Batteries*, 225 USPQ 823 (I.T.C. 1984), *disapproved*, 225 USPQ 862, *app. dismissed sub nom. Duracell, Inc.* v. *U.S. Int'l Trade Comm'n*, 778 F.2d 1578 (Fed. Cir. 1985).

Court observed in *Vance* v. *Terrazas*, 444 U.S. 252, 258 n. 5 (1980), "consideration of issues not present in the jurisdictional statement or petition for certiorari and not presented in the Court of Appeals is not beyond our power, and in appropriate circumstances we have addressed them." *Accord, Boynton* v. *Virginia*, 364 U.S. 454, 457 (1960).[2]

As detailed in the petition submitted by Lever Brothers, this case, unlike *COPIAT*, affords this Court an opportunity to provide comprehensive guidance respecting the propriety of the regulations under § 526 of the Tariff Act and § 42 of the Lanham Act. Specifically, the record developed below serves to sharply focus the trademark interests implicated by § 42 of the Lanham Act, as interpreted by this Court in *A. Bourjois & Co.* v. *Aldridge*, 263 U.S. 675 (1923), and *A. Bourjois & Co.* v. *Katzel*, 260 U.S. 689 (1923).

There is little to be gained by awaiting further review of the regulations under § 42 of the Lanham Act by the lower appellate courts. The breadth of § 42 is largely dependent upon the scope of the *Katzel* and *Aldridge* decisions. This Court is the only forum which can properly define the scope of its decisions in *Katzel* and *Aldridge*. This Court should, therefore, issue the writ requested by Lever Brothers and consider this case in conjunction with *COPIAT* even though the Court of Appeals has not entered judgment in this proceeding. *See Taylor* v. *McElroy*, 360 U.S. 709 (1959);

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[2] Moreover, the petition for a writ of certiorari submitted by K Mart Corporation ("K Mart") refers to § 42 of the Lanham Act, and the brief which K Mart submitted in *COPIAT* specifically requests that the regulations be reviewed under § 42 of the Lanham Act. (Brief of Petitioner K Mart Corporation, dated February 21, 1987 ("K Mart Brief"), p. (i).) The briefs submitted by K Mart and 47th Street Photo, Inc., have addressed this issue. (K Mart Brief, pp. 37-39; Brief for Petitioner 47th Street Photo, Inc., dated February 20, 1987, pp. 45-50.)

Norman v. *Baltimore & O.R. Co.*, 294 U.S. 240 (1935). *See also United States* v. *Nixon*, 418 U.S. 683 (1974). This Court need not await a split among the circuits prior to considering the propriety of the regulations under the Lanham Act. *See Dugan* v. *Rank*, 372 U.S. 609, 611 (1963); *Porter* v. *Aetna Casualty & Surety Co.*, 370 U.S. 159 (1962); *Muncie Gear Works, Inc.* v. *Outboard, Marine & Mfg. Co.*, 315 U.S. 759 (1942).

The writ requested by Lever Brothers would result in the inclusion of only one additional party in conjunction with this Court's review of *COPIAT*—an American manufacturer which has been affected adversely by the importation of "grey market" merchandise which has indisputably created serious consumer confusion. Lever Brothers' interest in this controversy is not coextensive with the interests of the respondents in *COPIAT*, including the Coalition to Preserve the Integrity of American Trademarks, a trade association representing various domestic trademark registrants. The issuance of the writ requested by Lever Brothers will serve to advance this Court's analysis of the regulations while insuring that the interests of American manufacturers, like Lever Brothers, will be amply represented before this Court.

Conclusion

For all the above reasons and those set forth in the petition submitted by Lever Brothers, this Court should issue a writ of certiorari to review the Memorandum and Order of the United States District Court for the District of Columbia.

May 20, 1987

Respectfully submitted,

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